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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16898
December 16, 2004**

R E S O L U T I O N

Resolution T-16898. Approval of the California High Cost Fund-B Administrative Committee Fund Surcharge rate from January 1, 2005 and thereafter, to comply with the Requirements of Public Utilities Code Section 270 (A).

Summary

This resolution adopts a surcharge rate of 2.43% for the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) fund effective January 1, 2005 and thereafter, until further revised by the Commission.

Background

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of SBC California, Verizon of California, Surewest Telephone Company, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

By Resolution T-16794, dated December 18, 2003, the Commission adopted a budget for Fiscal Year (FY) 2004-05 for the CHCF-B AC fund. In that Resolution, the Commission adopted a surcharge rate of 2.2% effective July 1, 2003 and an expense budget of \$438.867 million for FY 2004-05. On October 28, 2004, the Commission adopted Resolution T-16883 for an expense budget for FY 2005-06 (July 1, 2005 to June 30, 2006) in the amount of \$ 448.451 million.

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Discussion

In this Resolution, the Telecommunications Division (TD) recommends a CHCF-B AC Fund surcharge rate of 2.43% effective January 1, 2005 and thereafter, until further revised by the Commission.

Appendix A shows a comparison of the CHCF-B AC Fund adopted and actual FY 2003-04 budgets, the FY 2004-05 adopted and recast budgets, and the proposed and adopted budgets for FY 2005-06.

Resolution T-16794 adopted the CHCF-B AC Fund budget for FY 2004-05. That budget used a billing base of \$20,947.125 million, a surcharge rate of 2.2% and a beginning balance of \$30.438 million as of July 1, 2004. TD recommends that the forecasted billing base for FY 2004-05 should be revised to \$18,441.522 million because of the impact of Voice over Internet Protocol (VOIP). TD recommends that the projected billing base for FY 2005-06 should be \$18,828.692 million taking into consideration the effects of VOIP.

Because of the revised lower billing base of \$18,441.522 million for FY 2004-05, TD recommends that the current surcharge rate of 2.2% should be increased to 2.43% effective January 1, 2005 and thereafter, unless modified by the Commission. This new surcharge rate will result in an ending balance of \$32.467 million on June 30, 2005.

For FY 2005-06, projected program expenses are \$448.451 million as adopted in Resolution T-16883. TD recommends that the surcharge rate of 2.43% should be continued for FY 2005-06. This will result in projected surcharge revenue of \$456.507 million and an ending balance of \$46.128 million as of June 30, 2006.

TD's proposed surcharge rate of 2.43% effective January 1, 2005 and thereafter, until further revised by the Commission, is reasonable and should be adopted.

Modified Advice Letter Filings

By Resolution T-16901, the Commission modified the current tariff process for revising telecommunications Public Program surcharge rates. The new process requires all carriers to file a generic tariff reference to Pacific Bell (d.b.a SBC California) tariffs for the list of Public Program surcharge rates, including the CHCF-B AC Fund, and Reimbursement Fee, and the amounts to become effective on January 1, 2005. In compliance with the modified tariff process, only SBC should file an Advice Letter on or before December 24, 2004, modifying the surcharge rate from 2.2% to 2.43%, effective January 1, 2005 and thereafter, until further revised by the Commission.

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Comments

In compliance with PU Code § 311 (g), a notice letter was e-mailed on November 16, 2004 to all telecommunications carriers, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021 informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov> and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

Comments that are filed on a timely basis will be addressed in this resolution.

Findings

1. In October 1999, Public Utilities (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code § 270(b) requires that the monies in California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. Current conditions require the Fiscal Year (FY) 2004-05 and FY 2005-06 billing base to be revised to account for a projected decrease in the billing base due to the effects of Voice over Internet Protocol (VOIP).
4. The revised billing base for FY 2004-05 is \$18,441.522 million.
5. The forecasted billing base for FY 2005-06 is \$18,828.692 million.
6. Because of the lower revised billing base for FY 2004-05, the surcharge rate for the CHCF-B AC fund should be increased from 2.2% to 2.43% effective January 1, 2005 and thereafter, until further revised by the Commission.
7. TD's proposed surcharge rate for the CHCF-B AC Fund for FY 2005-06 should continue to be 2.43% until further revised by the Commission, is reasonable and should be adopted.
8. The tariff filing requirements for telecommunications Public Program surcharge rates were modified in Resolution T-16901.
9. In compliance with Resolution T-16901, only SBC should file an Advice Letter (AL) on or before December 24, 2004, modifying the surcharge rate from 2.2% to 2.43%, effective January 1, 2005 and thereafter, until further revised by the Commission.

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10. The modified AL filing requires all other carriers to refer to SBC's revised tariff for the new surcharge rates
11. Copies of the notice letter advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were e-mailed to all telecommunications carriers, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021, on November 16, 2004.

THEREFORE, IT IS ORDERED that:

1. The CHCF-B AC surcharge rate of 2.43% effective January 1, 2005 and thereafter, for the California High Cost Fund-B Administrative Committee Fund, until further revised by the Commission is adopted.
2. In compliance with Resolution T-16901, SBC shall file an Advice Letter on or before December 24, 2004, modifying the surcharge rate from 2.2% to 2.43%, effective January 1, 2005 and thereafter, until further revised by the Commission.

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This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on December 16, 2004 adopted this Resolution. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A CALIFORNIA HIGH COST FUND II ADMINISTRATIVE COMMITTEE FUND BUDGETS FOR FY 2005-06 All Amounts in (\$000)							
	Program Expenses	July 2003-June 2004		July 2004-June 2005		July 2005-June 2006	
		Adopted per Res T-16794	Actual	Adopted per Res T-16794 5	Recast	Proposed 1, 3	Adopted
					Note 1, 2	Note 1, 3	
a	b	c	d	e	f	g	h
A	Telecommunications Revenue subject to Surcharge	\$ 20,045,096	\$ 19,339,371	20,947,125	\$ 18,441,522	\$ 18,828,682	\$ 18,828,682
B	Surcharge Rates						
	07/01 through 12/31/03	2.70%	2.70%	2.20%			
	01/04 through 12/31/04	2.20%	2.20%	2.20%	2.28%		
	Effective 01/01/05				2.43%	2.43%	2.43%
1	Beginning Fund Balance	\$ 92,517	\$ 92,517	30,438	\$ 180,368	\$ 32,467	\$ 32,467
2	Prior period adjustments	\$ (37,624)	\$ (37,624)				
	FY 2003-04 Revenues Received in FY 2004-05				\$ 45		
	FY 2002-03 revenues rec'd in FY 2003-04				\$ (10)		
	Payments made for FY 2003-04 in July through September 2004				\$ (98,803)		
	Pre-July 2004 not paid to date				\$ (21,457)		
3	Revised Beginning Fund Balance	\$ 54,893	\$ 54,893	30,438	\$ 40,143	\$ 32,467	\$ 32,467
4	Transfer to General Fund per legislation						
5	Revenue						
a	Surcharges	\$ 491,105	\$ 491,798	480,837	\$ 436,921	\$ 467,537	\$ 467,537
b	Investment income	\$ 4,911	\$ 2,275	4,808	\$ 4,268	\$ 4,575	\$ 4,575
c	Others	\$ -	\$ -				
d	Total Revenue	\$ 496,016	\$ 494,073	485,645	\$ 431,190	\$ 462,113	\$ 462,113
6	Funds available for FY	\$ 550,909	\$ 548,966	485,883	\$ 471,333	\$ 494,579	\$ 494,579
7	PROGRAM EXPENSES						
a	Cancer Claims (Current)	\$ 475,000	\$ 460,739	433,000	\$ 433,000	\$ 443,000	\$ 443,000
b	Cancer Claims for prior years	\$ 39,000	\$ 38,120				
c	Interest Payments	\$ 1,000	\$ 5,017	1,000	\$ 1,000	\$ 1,000	\$ 1,000
d	Other Legislative Mandated Programs/Other Program Payments	\$ -	\$ -	-	\$ -		
e	Administrative Committee-Per Diem	\$ 1	\$ -	1	\$ 1	\$ 3	\$ 3
f	Administrative Committee-Travel and Others	\$ 1	\$ -	1	\$ 1	\$ 3	\$ 3
g	Administrative Committee-Special Needs Accommodation and Teleconference	\$ -	\$ -	-	\$ -	\$ -	\$ -
h	Financial Audit	\$ 100		100	\$ 100	\$ 100	\$ 100
i	Compliance Audit	\$ 500		500	\$ 500	\$ 290	\$ 290
j	Surcharge Remittance Audit	\$ 600	\$ 120	600	\$ 600	\$ 400	\$ 400
k	Cancer Claims Audit	\$ 900	\$ 95	900	\$ 900	\$ 400	\$ 400
l	Banking Fees	\$ 29	\$ 30	24	\$ 24	\$ 50	\$ 50
m	Inter-Agency Fee	\$ 3,347	\$ 3,327	2,988	\$ 2,988	\$ 2,600	\$ 2,600
n	CPUC Staff and Administrative Costs		\$ 143	103	\$ 103	\$ 565	\$ 565
o	Data Processing Automation	\$ -	\$ 6	50	\$ 50	\$ 50	\$ 50
p	Total Program Expenses	\$ 520,472	\$ 507,597	438,867	\$ 438,867	\$ 448,451	\$ 448,451
8	Revised Fund Balances Summary						
	As of June 30, 2003	\$ 54,893	\$ 54,893				
	As of June 30, 2004	\$ 30,438	\$ 41,360	30,438	\$ 40,143		
	As of June 30, 2005			57,016	\$ 32,467	\$ 32,467	\$ 32,467
	As of June 30, 2006					\$ 46,128	\$ 46,128
Notes							
1	The estimated billing bases for fiscal years 2004-05 and 2005-06 are based on the actual telecommunications surcharge revenue remittances for FY 2003-04 and the September 2004 UCLA forecast of the annual growth of Personal Income in California. The derived forecasts of annual growth are 5.4% and 5.6% for fiscal years 2004-05 and 2005-06 respectively. The forecasted billing bases for 2004-05 and 2005-06 are adjusted downward for the impact of Voice over Internet Protocol (VOIP) of 9.5% and 12% for fiscal years 2004-05 and 2005-06 respectively.						
2	Beginning balance on July 1, 2004, is based on Certification of Year-end Financial Reports for Fiscal Year ending June 30, 2004 submitted on August 16, 2004 to the State Controller.						
3	The expense budget for FY 2005-06 was adopted by Resolution T-16883 on October 28, 2004.						